

Message Text

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22

ORIGIN EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 AGR-05 SP-02 USIA-06

AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 OPIC-03 XMB-02 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 PA-01 PRS-01 /094 R

DRAFTED BY EB/ICD/TRP:FPARKER:JMM

APPROVED BY EB/ORF:SWBOSWORTH

ARA/LA/BR:RELTZ

----- 045215

R 070654Z AUG 76

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMEMBASSY BOGOTA

AMEMBASSY LONDON

AMEMBASSY SAN SALVADOR

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: BRAZILIAN PURCHASE OF SALVADORAN COFFEE

REF: STATE 189085

1. DEPUTY ASSISTANT SECRETARY BOSWORTH PRESENTED THE FOLLOWING AID MEMOIRE TO AMBASSADOR PINHEIRO ON AUGUST 5.

2. BEGIN TEXT --THE UNITED STATES GOVERNMENT HAS STUDIED THE AIDE MEMOIRE CONVEYED BY THE BRAZILIAN EMBASSY IN WASHINGTON TO THE DEPARTMENT OF STATE ON JULY 28, 1976, LIMITED OFFICIAL USE

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REGARDING U.S. CONCERN OVER THE REPORTED PURCHASE OF SAL-

VADORAN COFFEE BY BRAZILIAN FIRMS.

THE UNITED STATES GOVERNMENT IS AWARE OF AND APPRECIATES THAT THE BRAZILIAN COFFEE INSTITUTE HAS MAINTAINED A REGULAR FLOW OF BRAZILIAN COFFEE TO WORLD MARKETS, DESPITE THE CATASTROPHIC FROST OF 1975. UNITED STATES OFFICIALS HAVE CITED THIS RESPONSIBLE PERFORMANCE BY BRAZIL IN TESTIMONY BEFORE THE UNITED STATES CONGRESS, MOST RECENTLY IN CONNECTION WITH THE RATIFICATION OF THE INTERNATIONAL COFFEE AGREEMENT.

THE UNITED STATES GOVERNMENT NOTES THAT SINCE RECEIPT OF THE AIDE MEMOIRE, INTERBRAS, A BRAZILIAN STATE TRADING COMPANY, HAS ANNOUNCED THE PURCHASE OF 560,000 BAGS OF SALVADORAN COFFEE TO SUPPLY THE BRAZILIAN FREEZE-DRIED COFFEE INDUSTRY. THE UNITED STATES GOVERNMENT ALSO NOTES THAT IN 1974 BRAZIL IMPORTED 80,000 BAGS OF COFFEE FROM COLOMBIA. THE UNITED STATES GOVERNMENT FURTHER NOTES THAT IN A RECENT PRESS INTERVIEW, THE PRESIDENT OF THE BRAZILIAN SOLUBLE COFFEE ASSOCIATION (ABIC) REPORTEDLY STATED THAT CURRENT ANNUAL PRODUCTION OF FREEZE-DRIED COFFEE IN BRAZIL IS THE EQUIVALENT OF 200,000 BAGS AND THAT CURRENT ANNUAL PRODUCTION CAPACITY IS THE EQUIVALENT OF 300,000 BAGS.

IN VIEW OF THE FOREGOING, THE UNITED STATES GOVERNMENT HAS DIFFICULTY IN UNDERSTANDING FULLY THE MAGNITUDE OF THE REPORTED PURCHASE OF COFFEE FROM EL SALVADOR. HOWEVER, THE UNITED STATES GOVERNMENT BELIEVES THAT THE PROPER FORUM TO DISCUSS THIS MATTER IS WITHIN THE INTERNATIONAL COFFEE ORGANIZATION, WHERE SUCH TRANSACTIONS RAISE CERTAIN TECHNICAL QUESTIONS REGARDING THE APPLICATION OF THE SYSTEM OF CERTIFICATES OF ORIGIN WHEN QUOTAS ARE NOT IN EFFECT. ACCORDINGLY, THE UNITED STATES GOVERNMENT WILL INSTRUCT ITS REPRESENTATIVE TO THAT ORGANIZATION TO PURSUE THOSE QUESTIONS IN THAT FORUM. DEPARTMENT OF STATE, WASHINGTON, AUGUST 5, 1976 END TEXT.

3. THE PURPOSE OF OUR RESPONSE IS TO LET THE GOB KNOW WE ARE NOT SATISFIED WITH ITS EXPLANATION OF THE PURCHASE LIMITED OFFICIAL USE

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BUT WILL PURSUE THE MATTER IN THE COFFEE ORGANIZATION RATHER THAN BILATERALLY. OTHER PRODUCING AND CONSUMING MEMBERS MAY SHARE OUR CONCERNS.

4. IF BRAZILIAN OFFICIALS INQUIRE ON THE STATUS OF RATIFICATION OF THE NEW COFFEE AGREEMENT, THE SENATE COMMITTEE ON FOREIGN RELATIONS IS SCHEDULED TO CONSIDER THE COFFEE, TIN AND WHEAT AGREEMENTS IN EXECUTIVE SESSION

TUESDAY, AUGUST 10. IT MAY REPORT THEM OUT AT THAT TIME.
HOWEVER, THE SENATE RECESSES FOR THE REPUBLICAN CONVEN-
TION THE FOLLOWING DAY. THE SENATE RETURNS AUGUST 23
AND, WITH A BRIEF RECESS FOR LABOR DAY, WILL CONTINUE
THROUGH OCTOBER 2. HABIB

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